

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>County of Presque Isle</b>	County <b>Presque Isle</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>4/3/06</b>	Date Accountant Report Submitted to State: <b>5/26/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>16978 S. Riley Avenue</b>	City <b>Kincheloe</b>	State <b>MI</b>	ZIP <b>49788</b>
Accountant Signature <i>Anderson Tackman &amp; Co PLC</i>			Date <b>5/26/06</b>

**County of Presque Isle, Michigan**

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**Basic Financial Statements**

**December 31, 2005**

**COUNTY OF PRESQUE ISLE, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON

ALLAN H. BRUDER

COMMISSIONER

MICHAEL A. DARGA

COMMISSIONER

STEPHEN LANG

COMMISSIONER

ROBERT SCHELL

COMMISSIONER

GARY L. WOZNIAK

**ELECTED OFFICIALS**

COUNTY TREASURER

PATRICIA J. CORNETT

COUNTY CLERK

SUSAN M. RHODE

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
County of Presque Isle, Michigan  
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Presque Isle, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the basic financial statements of the Presque Isle County Road Commission which represents 99% and 99% of the assets and revenues, respectively, of the discretely presented component units. The Road Commission statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the County of Presque Isle, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

A complete physical inventory of parts and materials was not performed by the County Road Commission as of December 31, 2005, and the Road Commission auditors were unable to satisfy themselves by means of other auditing procedures. The amount of the parts and materials inventory was \$501,714.

In our opinion, based on our audit and the report of the other auditors, except for the effects on the financial statements of the omissions and matters described in the preceding paragraphs and effects of such adjustments, if any, as might have been determined to be necessary had the inventories of the Road Commission been performed, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan, as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 3, 2006 on our consideration of the County of Presque Isle, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Presque Isle, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Presque Isle. The combining nonmajor fund financial statements and schedule of expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 3, 2006

## **Basic Financial Statements**

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# County of Presque Isle, Michigan

## Statement of Net Assets

December 31, 2005

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Totals	
<b>ASSETS:</b>				
Cash & Equivalents	\$ 2,476,691	\$ 1,050,762	\$ 3,527,453	\$ 1,199,131
Receivables:				
Accounts	2,462	-	2,462	557,294
Taxes	3,423,721	452,799	3,876,520	-
Interest	104,250	-	104,250	839
Notes	-	-	-	68,963
Internal Loans	93,238	(93,238)	-	-
Due from Governmental Units	142,145	25,680	167,825	-
Prepaid Expenses	50,472	-	50,472	35,847
Inventory	-	-	-	501,714
Capital Assets Not Depreciated	748,100	523,700	1,271,800	6,792,411
Capital Assets (Net of Accumulated Depreciation)	1,821,081	1,786,014	3,607,095	13,163,838
<b>TOTAL ASSETS</b>	<b>\$ 8,862,160</b>	<b>\$ 3,745,717</b>	<b>\$ 12,607,877</b>	<b>\$ 22,320,037</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 157,570	\$ 872	\$ 158,442	\$ 40,332
Accrued Liabilities	40,887	-	40,887	16,662
Due to Governmental Units	-	9,008	9,008	-
Deferred Revenue	2,400,673	-	2,400,673	-
Installment Purchase Agreements Payable	-	-	-	17,617
Notes Payable	-	310,000	310,000	-
Compensated Absences	-	-	-	8,615
Non-current Liabilities:				
Compensated Absences	3,048	-	3,048	209,517
<b>TOTAL LIABILITIES</b>	<b>2,602,178</b>	<b>319,880</b>	<b>2,922,058</b>	<b>292,743</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	2,569,181	2,309,714	4,878,895	19,938,632
Restricted for County Road	-	-	-	1,960,494
Restricted for Future Economic Development	-	-	-	17,980
Restricted for Special Projects	1,661,695	-	1,661,695	-
Unrestricted	2,029,106	1,116,123	3,145,229	110,188
<b>TOTAL NET ASSETS</b>	<b>\$ 6,259,982</b>	<b>\$ 3,425,837</b>	<b>\$ 9,685,819</b>	<b>\$ 22,027,294</b>

# County of Presque Isle, Michigan

## Statement of Activities For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 74,410	\$ -	\$ -	\$ -	\$ (74,410)	\$ -	\$ (74,410)	\$ -
Judicial	598,495	239,405	166,835	-	(192,255)	-	(192,255)	-
General Government	1,269,192	199,807	207,843	-	(861,542)	-	(861,542)	-
Public Safety	1,299,011	132,135	217,747	96,354	(852,775)	-	(852,775)	-
Health & Welfare	855,223	21,079	315,912	-	(518,232)	-	(518,232)	-
Community & Economic Development	375,366	500	322,011	-	(52,855)	-	(52,855)	-
Recreation & Culture	92,213	-	500	-	(91,713)	-	(91,713)	-
Other	1,373,318	3,448	-	-	(1,369,870)	-	(1,369,870)	-
Depreciation - Unallocated	59,797	-	-	-	(59,797)	-	(59,797)	-
Total Governmental Activities	5,997,025	596,374	1,230,848	96,354	(4,073,449)	-	(4,073,449)	-
<b>Business-type activities:</b>								
Airport	281,605	1,832	-	-	-	(279,773)	(279,773)	-
Tax Collection	180,967	255,602	-	-	-	74,635	74,635	-
Total Business-type Activities	462,572	257,434	-	-	-	(205,138)	(205,138)	-
Total Primary Government	\$ 6,459,597	\$ 853,808	\$ 1,230,848	\$ 96,354	(4,073,449)	(205,138)	(4,278,587)	-
<b>Component Units:</b>								
Road Commission	\$ 4,229,122	\$ 738,404	\$ 3,642,421	\$ -				151,703
Economic Development	6,054	3,377	25,124	-				22,447
Total Component Units	4,235,176	741,781	3,667,545	-				174,150
Total	\$ 10,694,773	\$ 1,595,589	\$ 4,898,393	\$ 96,354				
<b>General Revenues:</b>								
Taxes					4,458,902	-	4,458,902	-
Other					198,698	122,070	320,768	263,441
Investment Earnings (Loss)					74,914	18,550	93,464	39,264
Transfers					171,204	(171,204)	-	-
<b>Total General Revenues and Transfers</b>					4,903,718	(30,584)	4,873,134	302,705
Change in Net Assets					830,269	(235,722)	594,547	476,855
Net Assets - Beginning					4,944,860	2,874,612	7,819,472	21,550,439
Residual Equity Transfer					(263,247)	263,247	-	-
Prior Period Adjustment					748,100	523,700	1,271,800	-
<b>Net Assets - Ending</b>					\$ 6,259,982	\$ 3,425,837	\$ 9,685,819	\$ 22,027,294

See accompanying notes to financial statements.

# County of Presque Isle, Michigan

## Balance Sheet Governmental Funds December 31, 2005

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash & Equivalents	\$ 1,076,576	\$ 703,744	\$ 668,253	\$ 2,448,573
Receivables:				
Accounts	-	-	2,462	2,462
Taxes	2,074,147	957,951	391,623	3,423,721
Loans	-	-	104,250	104,250
Prepaid Expenditures	50,472	-	-	50,472
Due from Governmental Units	46,468	-	95,677	142,145
Due from Other Funds	93,238	-	-	93,238
<b>TOTAL ASSETS</b>	<b>\$ 3,340,901</b>	<b>\$ 1,661,695</b>	<b>\$ 1,262,265</b>	<b>\$ 6,264,861</b>
<b>LIABILITIES:</b>				
Accounts Payable	81,778	-	75,649	157,427
Accrued Liabilities	33,826	-	7,061	40,887
Deferred Revenue	2,009,050	-	504,539	2,513,589
<b>TOTAL LIABILITIES</b>	<b>2,124,654</b>	<b>-</b>	<b>587,249</b>	<b>2,711,903</b>
<b>FUND BALANCES:</b>				
Reserved	-	1,661,695	-	1,661,695
Unreserved:				
Designated for Special Purposes	-	-	675,016	675,016
Undesignated	1,216,247	-	-	1,216,247
<b>TOTAL FUND BALANCES</b>	<b>1,216,247</b>	<b>1,661,695</b>	<b>675,016</b>	<b>3,552,958</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,340,901</b>	<b>\$ 1,661,695</b>	<b>\$ 1,262,265</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>				
Capital assets used by governmental activities				2,539,315
Compensated absences liability				(3,048)
Other long-term assets not available to pay current expenditures and therefore deferred in the funds.				112,916
Internal service funds included in governmental activities				57,841
<b>Net assets of governmental activities</b>				<b>\$ 6,259,982</b>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2005

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 3,125,058	\$ 957,951	\$ 375,893	\$ 4,458,902
Licenses & Permits	3,448	-	-	3,448
Federal Sources	26,854	-	547,334	574,188
State Sources	321,025	-	273,538	594,563
Local Sources	6,913	-	121,465	128,378
Charges for Services	442,940	-	137,452	580,392
Interest & Rentals	61,220	15,186	13,985	90,391
Fees and Collections	-	-	59,907	59,907
Fines and Forfeitures	5,369	-	7,165	12,534
Other Revenue	155,334	-	27,889	183,223
<b>TOTAL REVENUES</b>	<b>4,148,161</b>	<b>973,137</b>	<b>1,564,628</b>	<b>6,685,926</b>
<b>EXPENDITURES:</b>				
Legislative	74,410	-	-	74,410
Judicial	581,510	-	16,985	598,495
General Government	1,059,951	-	187,076	1,247,027
Public Safety	1,014,400	-	291,083	1,305,483
Health & Welfare	26,751	-	828,472	855,223
Community & Economic Development	-	-	375,366	375,366
Recreation & Cultural	-	-	50,293	50,293
Capital Outlay	-	-	130,542	130,542
Other Expenditures	1,177,037	-	65,739	1,242,776
<b>TOTAL EXPENDITURES</b>	<b>3,934,059</b>	<b>-</b>	<b>1,945,556</b>	<b>5,879,615</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>214,102</b>	<b>973,137</b>	<b>(380,928)</b>	<b>806,311</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	386,893	-	606,500	993,393
Operating Transfers Out	(484,000)	(268,893)	(84,296)	(837,189)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>116,995</b>	<b>704,244</b>	<b>141,276</b>	<b>962,515</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,099,252</b>	<b>957,451</b>	<b>533,740</b>	<b>2,590,443</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,216,247</b>	<b>\$ 1,661,695</b>	<b>\$ 675,016</b>	<b>\$ 3,552,958</b>

# County of Presque Isle, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2005

Net Changes in fund balances - total governmental funds	\$ 962,515
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$164,008) exceeded capital outlay (\$64,997) in the current period.	(99,011)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(880)
Deferred Revenues recognized as earned income.	(29,834)
Internal Service Activity	<u>(2,521)</u>

Changes in net assets of governmental activities	<u><u>\$ 830,269</u></u>
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# County of Presque Isle, Michigan

## Statement of Net Assets Proprietary Funds December 31, 2005

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business-Type	Internal Service Fund
	Tax Collections	Airport		
<b>ASSETS:</b>				
Cash & Equivalents	\$ 1,040,533	\$ 10,229	\$ 1,050,762	\$ 28,118
Taxes Receivable	452,799	-	452,799	-
Due from Other Funds	35,000	-	35,000	-
Due from Other Governmental Units	25,680	-	25,680	-
Capital Assets, net of accumulated depreciation	-	2,309,714	2,309,714	29,866
<b>TOTAL ASSETS</b>	<b>\$ 1,554,012</b>	<b>\$ 2,319,943</b>	<b>\$ 3,873,955</b>	<b>\$ 57,984</b>
<b>LIABILITIES:</b>				
Due to Other Funds	\$ 93,238	\$ 35,000	\$ 128,238	\$ -
Accounts Payable	-	872	872	143
Due to Other Governmental Units	9,008	-	9,008	-
Notes Payable	310,000	-	310,000	-
<b>TOTAL LIABILITIES</b>	<b>412,246</b>	<b>35,872</b>	<b>448,118</b>	<b>143</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	-	2,309,714	2,309,714	-
Unrestricted	1,141,766	(25,643)	1,116,123	57,841
<b>TOTAL NET ASSETS</b>	<b>\$ 1,141,766</b>	<b>\$ 2,284,071</b>	<b>\$ 3,425,837</b>	<b>\$ 57,841</b>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2005

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business- Type	Internal Service Fund
	Tax Collections	Airport		
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 255,602	\$ 1,832	\$ 257,434	\$ 28,106
Interest & Rentals	118,951	-	118,951	-
Other Revenue	3,119	-	3,119	-
Total Operating Revenues	377,672	1,832	379,504	28,106
<b>OPERATING EXPENSES:</b>				
Depreciation	-	111,401	111,401	13,137
Professional and Contractual Services	-	-	-	4,109
General and Administrative	161,593	170,204	331,797	29,174
Total Operating Expenses	161,593	281,605	443,198	46,420
<b>OPERATING INCOME (LOSS)</b>	216,079	(279,773)	(63,694)	(18,314)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest Income	17,707	843	18,550	793
Interest Expense	(19,374)	-	(19,374)	-
Total Non-operating Revenues (Expenses)	(1,667)	843	(824)	793
Income (loss) before transfers	214,412	(278,930)	(64,518)	(17,521)
Operating Transfers In	78,408	87,500	165,908	15,000
Operating Transfers Out	(337,112)	-	(337,112)	-
<b>CHANGE IN NET ASSETS</b>	(44,292)	(191,430)	(235,722)	(2,521)
NET ASSETS, JANUARY 1	922,811	1,951,801	2,874,612	60,362
Residual Equity Transfer	263,247	-	263,247	-
Prior Period Adjustment	-	523,700	523,700	-
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 1,141,766</u>	<u>\$ 2,284,071</u>	<u>\$ 3,425,837</u>	<u>\$ 57,841</u>

# County of Presque Isle, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2005

	Business - Type Activities		Governmental Activities	
	Enterprise Funds		Total Business-Type	Internal Service Fund
	Tax Collections	Airport		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 1,537,868	\$ 1,832	\$1,539,700	\$ 28,106
Payments to Suppliers	(1,175,046)	(169,331)	(1,344,377)	(33,140)
Internal Activity - Payments/Receipts with Other Funds	93,238	-	93,238	-
Net Cash Provided (Used) by Operating Activities	456,060	(167,499)	288,561	(5,034)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Residual equity transfer	263,247	-	263,247	-
Operating transfers in	78,408	87,500	165,908	15,000
Operating transfers out	(337,112)	-	(337,112)	-
Net Cash Provided (Used) by Noncapital Financing Activities	4,543	87,500	92,043	15,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Notes	950,000	-	950,000	-
Purchase of capital assets	-	-	-	(5,836)
Interest Payments	(19,374)	-	(19,374)	-
Principal Payments	(1,155,000)	-	(1,155,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(224,374)	-	(224,374)	(5,836)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	17,707	843	18,550	793
Net Cash Provided (Used) by Investing Activities	17,707	843	18,550	793
Net Increase (Decrease) in Cash and Cash Equivalents	253,936	(79,156)	174,780	4,923
Balances - Beginning of the Year	786,597	89,385	875,982	23,195
Balances - End of the Year	\$ 1,040,533	\$ 10,229	\$ 1,050,762	\$ 28,118
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 216,079	\$ (279,773)	\$ (63,694)	\$ (18,314)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	111,401	111,401	13,137
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Taxes Receivable	143,542	-	143,542	-
Due from Other Funds	50,000	-	50,000	-
Due from Other Governmental Units	33,268	-	33,268	-
Increase(Decrease) in Liabilities:				
Due to Other Funds	(30,067)	-	(30,067)	-
Accounts Payable	-	873	873	143
Due to Other Governmental Units	43,238	-	43,238	-
Net Cash Provided by Operating Activities	456,060	(167,499)	288,561	(5,034)

See accompanying notes to financial statements.



# County of Presque Isle, Michigan

## Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2005

	Private Purpose Employee Retirement	Agency Funds
<b>ASSETS:</b>		
Cash & Equivalents:		
Unrestricted	\$ 7,336	\$ 821,216
 TOTAL ASSETS	 \$ 7,336	 \$ 821,216
<b>LIABILITIES:</b>		
Due to Other Governmental Units	\$ -	\$ 139,610
Undistributed Tax Collections	-	188,600
Undistributed Receipts	-	493,006
 TOTAL LIABILITIES	 -	 \$ 821,216
<b>NET ASSETS:</b>		
Held in Trust for Other Purposes	\$ 7,336	

# County of Presque Isle, Michigan

## Statement of Changes in Fiduciary Net Assets Fiduciary Fund For the Year Ended December 31, 2005

	Private Purpose Employee Retirement
<b>ADDITIONS:</b>	
Contributions:	
Employer & Employee	\$ 241,193
Total Contributions	<u>241,193</u>
<b>DEDUCTIONS:</b>	
Benefits	240,806
Total Deductions	<u>240,806</u>
Change in Net Assets	387
Net Assets, Beginning of the Year	<u>6,949</u>
Net Assets, End of the Year	<u><u>\$ 7,336</u></u>

## **Component Units**

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**Statement of Net Assets**  
**Component Units**  
**December 31, 2005**

	Road Commission	Economic Development Corporation	Totals
<b>ASSETS:</b>			
Cash & Equivalents - Unrestricted	\$ 1,139,926	\$ 41,225	\$ 1,181,151
- Restricted	-	17,980	17,980
Receivables:			
Interest	839	-	839
Accounts	557,294	-	557,294
Notes	-	68,963	68,963
Inventory	501,714	-	501,714
Prepaid Expense	35,847	-	35,847
Capital Assets (net)	19,878,259	77,990	19,956,249
 TOTAL ASSETS	 <u>\$ 22,113,879</u>	 <u>\$ 206,158</u>	 <u>\$ 22,320,037</u>
 <b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	\$ 40,332	\$ -	\$ 40,332
Accrued Liabilities	16,662	-	16,662
Compensated Absences - Current	8,615	-	8,615
Installment Purchase Agreements Payable	17,617	-	17,617
 Total Current Liabilities	 83,226	 -	 83,226
Non-current Liabilities:			
Compensated Absences	209,517	-	209,517
 TOTAL LIABILITIES	 <u>292,743</u>	 <u>-</u>	 <u>292,743</u>
 <b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	19,860,642	77,990	19,938,632
Restricted for County Road	1,960,494	-	1,960,494
Restricted for Future Economic Development	-	17,980	17,980
Unrestricted	-	110,188	110,188
 TOTAL NET ASSETS	 <u>21,821,136</u>	 <u>206,158</u>	 <u>22,027,294</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 22,113,879</u>	 <u>\$ 206,158</u>	 <u>\$ 22,320,037</u>

# County of Presque Isle, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
<b>Road Commission:</b>							
Public Works	\$ 4,229,122	\$ 738,404	\$ 3,642,421	\$ -	\$ 151,703	\$ -	\$ 151,703
<b>Economic Development Corporation</b>							
Community/Economic Development	6,054	3,377	25,124	-	-	22,447	22,447
Total Component Units	<u>\$ 4,235,176</u>	<u>\$ 741,781</u>	<u>\$ 3,667,545</u>	<u>\$ -</u>	<u>151,703</u>	<u>22,447</u>	<u>174,150</u>
<b>General Revenues:</b>							
Investment Earnings					38,225	1,039	39,264
Other					263,441	-	263,441
<b>Total General Revenues</b>					<u>301,666</u>	<u>1,039</u>	<u>302,705</u>
Change in Net Assets					453,369	23,486	476,855
Net Assets - Beginning					21,367,767	182,672	21,550,439
<b>Net Assets - Ending</b>					<u>\$ 21,821,136</u>	<u>\$ 206,158</u>	<u>\$ 22,027,294</u>

See accompanying notes to financial statements.

## **Notes to the Financial Statements**

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Presque Isle, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

### **A – Reporting Entity:**

#### **Financial Reporting Entity**

Presque Isle County was established under the authority granted by the Constitution and the State of Michigan. The County is governed by an elected Board of Commissioners. The County provides services to its residents in many areas including law enforcement, fire protection, community enrichment and development, and human services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14. The criteria was established for various governmental organizations to be included in the reporting entity's financial statement based on legal separation, financial accountability, and fiscal dependency.

#### Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

#### **Blended Component Units**

##### County Development Commission:

The financial statements include the financial data of the Presque Isle County Development Commission ("Development Commission"). The Development Commission is an entity legally separate from the County, organized under the authority of Public Act 46 of 1966. It is governed by a Board appointed by the County Commission and is fiscally dependent of the County. Its primary purpose is to promote economic development within the County of Presque Isle. As such, it is reported as a Special Revenue Fund of the County; that is, a blended component unit.

#### **Discretely Presented Component Units**

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Road Commission:**

The basic financial statements include the financial data of the County's component unit, the Presque Isle County Road Commission (the "Road Commission"). This unit is reported in a separate column to emphasize that it is legally separate from the County.

The County appoints a majority of the members of the governing board of the Road Commission. The County also has the ability to significantly influence the operations of the Road Commission and must approve bonded debt. A complete financial statement of the Road Commission can be obtained from the Presque Isle County Road Commission, 657 S. Bradley Highway, Rogers City, Michigan, 49779.

### **Economic Development Corporation of Presque Isle County (EDCPIC):**

The EDCPIC was created on June 29, 2000 pursuant to the provisions of the Economic Development Corporations Act, Act No. 338, Public Acts of 1974, as amended. The EDCPIC is an entity legally separate from the County. It is governed by a Board appointed by the County Commission and is fiscally independent of the County. Its primary purpose is to promote economic development within the County of Presque Isle.

### **Multi-County Agencies**

The County participates jointly in the operation of the District Health Department #4 with Alpena, Cheboygan, and Montmorency Counties. All financial operations of the District Health Department are recorded in Alpena County. The funding formula requires the County to provide approximately 18% of the budget appropriations requirement, which amounted to \$109,695 for the year ended December 31, 2005.

The County participates jointly in the operation of the Northeast Michigan Community Mental Health Authority with Alpena, Alcona, and Montmorency Counties. All financial operations of the Authority are recorded in Alpena County. The funding formula requires the County to provide approximately 22% of the budget appropriation requirement, which amounted to \$43,599 for the year ended December 31, 2005.

### **B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### **Taxes Receivable – Current or Property Taxes**

The County of Presque Isle property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Presque Isle as of the preceding December 31st and July 1st.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Although the County of Presque Isle 2004 ad valorem tax is levied and collectible on December 1, 2004, and 2005 ad valorem tax is levied and collectible on July 1, 2005, it is the County of Presque Isle's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2004 taxable valuation of the County of Presque Isle totaled \$506,900,558, on which ad valorem taxes levied consisted of 3.7777 mills for the County operating, .2500 mills H.U.N.T. and .4865 for Senior Citizen. These amounts are recognized in the respective General and Special Revenue Fund financial statements as revenue.

The July 1, 2005 taxable valuation of the County of Presque Isle totaled \$535,956,299, on which ad valorem taxes levied consisted of 1.8888 mills for the General Fund, this amount is recognized in the General Fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

### **General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **Revenue Sharing Reserve**

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

The County reports the following major proprietary funds:

### **Tax Collection Fund**

This fund accounts for property tax administration within the County.

### **Airport Fund**

This fund accounts for operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

### **Internal Service Fund**

This fund accounts for purchases of data processing equipment for the various departments of the government.

### **Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

### **Private Purpose Fund**

This fund accounts for fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Compensated Absences: - Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Vacation days must be used each year, prior to the employee’s anniversary date of employment. County employees are given (12) twelve days of sick time when hired. They may accumulate ½ day each month. Every January employees are paid 50% of any unused sick leave accumulated over the twelve days.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

## NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Investments -					
Unrestricted	\$ 2,476,691	\$ 1,050,762	\$ 3,527,453	\$ 828,552	\$ 1,181,151
Restricted	-	-	-	-	17,980
Total	<u>\$ 2,476,691</u>	<u>\$ 1,050,762</u>	<u>\$ 3,527,453</u>	<u>\$ 828,552</u>	<u>\$ 1,199,131</u>

### NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts, certificates of deposit, mutual funds)	\$ 3,524,208	\$ 828,552	\$ 1,198,931
Petty Cash and Cash on Hand	<u>3,245</u>	<u>-</u>	<u>200</u>
Total	<u>\$ 3,527,453</u>	<u>\$ 828,552</u>	<u>\$ 1,199,131</u>

Cash is restricted in the Economic Development Corporation for future economic development. In 2003 the EDC received a private donation (with additional donations in 2004 and 2005) from an individual to be used only for future economic development, at December 31, 2005 \$17,980 was available for future loans.

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$4,174,037 of the County's bank balance of \$4,488,329 was exposed to credit risk because it was uninsured and uncollateralized.

#### Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

## NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Revenue Sharing Reserve	Tax Collections	Non-Major and Other Funds	Total
Receivables:					
Accounts	\$ -	\$ -	\$ -	\$ 2,462	\$ 2,462
Taxes	2,074,147	957,951	452,799	391,623	3,876,520
Loans	-	-	-	104,250	104,250
Due from Others	<u>46,468</u>	<u>-</u>	<u>25,680</u>	<u>95,677</u>	<u>167,825</u>
Net Receivables	<u>\$ 2,120,615</u>	<u>\$ 957,951</u>	<u>\$ 478,479</u>	<u>\$ 594,012</u>	<u>\$ 4,151,057</u>



## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ 748,100	\$ -	\$ 748,100
Capital assets being depreciated:				
Buildings and Building Improvements	2,162,933	-	-	2,162,933
Machinery and equipment	1,085,498	70,833	-	1,156,331
Subtotal	3,248,431	70,833	-	3,319,264
<b>Governmental Activities:</b>				
Less accumulated depreciation for:				
Buildings and Building Improvements	768,253	67,884	-	836,137
Machinery and equipment	552,785	109,261	-	662,046
Subtotal	1,321,038	177,145	-	1,498,183
Net Capital Assets Being Depreciated	1,927,393	(106,312)	-	1,821,081
Governmental Activity Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 1,927,393</u>	<u>\$ 641,788</u>	<u>\$ -</u>	<u>\$ 2,569,181</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ 523,700	\$ -	\$ 523,700
Capital assets being depreciated:				
Land and improvements	1,990,950	-	-	1,990,950
Building and Building Improvements	45,000	-	-	45,000
Equipment	162,000	-	-	162,000
Subtotal	2,197,950	-	-	2,197,950
Less accumulated depreciation for:				
Land and improvements	254,745	99,547	-	354,292
Buildings and Building Improvements	24,190	1,054	-	25,244
Equipment	21,600	10,800	-	32,400
Subtotal	300,535	111,401	-	411,936
Net Capital Assets Being Depreciated	1,897,415	(111,401)	-	1,786,014
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,897,415</u>	<u>\$ 412,299</u>	<u>\$ -</u>	<u>\$ 2,309,714</u>

## NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 17,498
Public Safety	57,930
Park and Recreation	41,920
Unallocated	<u>59,797</u>

Total Governmental Activities \$ 177,145

The following is a summary of changes in capital assets for the Presque Isle County Road Commission:

	Beginning Balances 01/01/05	Additions	Adjustments/ Deductions	Ending Balances 12/31/05
Capital Assets Not Being Depreciated				
Land and Improvements - Infrastructure	\$ 6,407,185	\$ 302,766	\$ -	\$ 6,709,951
Land and Improvements - Other	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
Subtotal	<u>6,411,655</u>	<u>302,766</u>	<u>-</u>	<u>6,714,421</u>
Capital Assets Being Depreciated				
Depletable Assets	199,686	-	-	199,686
Buildings	854,494	1,880	-	856,374
Road Equipment	4,522,821	383,257	335,121	4,570,957
Shop Equipment	62,461	1,743	1,049	63,155
Office Equipment	16,430	5,649	8,176	13,903
Engineers Equipment	14,970	-	-	14,970
Infrastructure – Bridges	3,593,510	-	-	3,593,510
Infrastructure - Roads	<u>18,247,932</u>	<u>861,718</u>	<u>-</u>	<u>19,109,650</u>
Subtotal	<u>27,512,304</u>	<u>1,254,247</u>	<u>344,346</u>	<u>28,422,205</u>
Less Accumulated Depreciation				
Depletable Assets	79,034	3,812	-	82,846
Buildings	501,895	77,100	-	578,995
Road Equipment	3,742,164	339,922	332,169	3,749,917
Shop Equipment	49,801	1,956	1,049	50,708
Office Equipment	14,253	1,098	7,777	7,574
Engineers Equipment	11,454	670	-	12,124
Infrastructure – Bridges	1,931,037	54,145	-	1,985,182
Infrastructure - Roads	<u>7,803,016</u>	<u>988,005</u>	<u>-</u>	<u>8,791,021</u>
Subtotal	<u>14,132,654</u>	<u>1,466,708</u>	<u>340,995</u>	<u>15,258,367</u>
Net Capital Assets Being Depreciated	<u>13,379,650</u>	<u>(212,461)</u>	<u>3,351</u>	<u>13,163,838</u>
Total Net Capital Assets	<u>\$ 19,791,305</u>	<u>\$ 90,305</u>	<u>\$ 3,351</u>	<u>\$ 19,878,259</u>

## NOTE 5 - CAPITAL ASSETS (Continued)

The following is a summary of changes for the Economic Development Corporation of Presque Isle County:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 77,990	\$ -	\$ -	\$ 77,990

## NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM	DUE TO OTHER FUNDS		
	General Fund	Tax Collections	Total
Tax Collections	\$ 93,238	\$ -	\$ 93,238
Airport	-	35,000	35,000
Total	\$ 93,238	\$ 35,000	\$ 128,238

### Interfund Transfers

TRANSFERS IN	TRANSFERS OUT				
	General Fund	Revenue Sharing Reserve	Tax Collections	All Others	Total
General Fund	\$ -	\$ 268,893	\$ 118,000	\$ -	\$ 386,893
Tax Collections	-	-	24,112	54,296	78,408
Airport	87,500	-	-	-	87,500
All Other	396,500	-	195,000	30,000	621,500
Total	\$ 484,000	\$ 268,893	\$ 337,112	\$ 84,296	\$ 1,174,301

## NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>							
Tax Anticipation Notes:							
2004 Tax Notes Series	variable	2005	515,000	-	(515,000)	-	-
2005 Tax Notes Series	variable	2006	-	950,000	(640,000)	310,000	310,000
Total Business-Type Activities			<u>\$ 515,000</u>	<u>\$ 950,000</u>	<u>\$ 1,155,000</u>	<u>\$ 310,000</u>	<u>\$ 310,000</u>

A summary of vested benefits payable at December 31, 2005 is as follows:

Sick Leave	<u>\$ 3,048</u>
<b>TOTALS</b>	<u><u>\$ 3,048</u></u>

## NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for claims and participates a risk pool for claims relating to the County. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2005.

### NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

#### Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2004 is as follows:

Courthouse Employees	9.30%
Sheriff Department	7.19%
Jail	7.70%
Elected and Appointed Officials	10.28%
Commissioners	65.66%

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Annual Pension Cost

During the year ended December 31, 2005, the County's contributions totaling \$176,696 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 4,775,400	\$ 5,236,743	\$ 5,672,177
Actuarial Accrued Liability	5,576,722	6,154,873	6,592,720
Unfunded AAL	801,322	918,130	920,540
Funded Ratio	86%	85%	86%
Covered Payroll	1,734,696	1,779,910	1,846,977
UAAL as a Percentage of Covered Payroll	46%	52%	50%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 122,534	100%	0
2003	150,508	100%	0
2004	148,505	100%	0

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****ROAD COMMISSION**Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require general employees to contribute to the plan, the Commissioners contribute at a rate of three percent. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 14.88 percent for general employees and 9.12 percent for covered commissioners.

Annual Pension Cost

For year ended December 31, 2005, the Presque Isle County Road Commission's pension cost of \$145,845 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2003, using the age normal cost method. Significant actuarial assumptions used include: (i) an 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31, follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial Value of Assets	\$ 5,658,507	\$ 5,864,209	\$ 5,971,013
Actuarial Accrued Liability	6,959,093	7,251,042	7,629,424
Unfunded AAL	1,300,586	1,386,833	1,658,411
Funded Ratio	81%	81%	78%
Covered Payroll	1,007,191	1,043,120	1,031,739
UAAL as a Percentage of Covered Payroll	129%	133%	161%

  

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	172,362	100%	\$0
2004	153,246	100%	0
2005	145,845	100%	0

**NOTE 11 - RELATED PARTIES**

The County conducts business with various local financial institutions as the County's depositories. Specifically, Huron National Bank and Citizen's National Bank hold deposits of the County, which at December 31, 2005 amounted to \$2,540,298 and \$397,132, respectively. Several County Commissioners and the County Treasurer are stockholders in Huron National Bank. Additionally, some County Commissioners own stock in Citizen's National Bank.

**NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The General Fund budget is adopted at the functional level and the Special Revenue funds are adopted in total. During the year ended December 31, 2005, the County incurred expenditures in the General Fund and MSU Extension Grant Fund which was in excess of the amount appropriated.

**NOTE 13 - NOTES RECEIVABLE**

The following is a summary of the notes receivable:

	<u>Balance 01/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>
Economic Development	\$ 46,637	\$ 30,000	\$ (7,674)	\$ 68,963



**NOTE 14 - PRIOR PERIOD ADJUSTMENT:**

The County capitalized land in accordance with GASB Statement No. 34 during 2005. The amount invested in capital assets has been restated to conform with U.S. Generally Accepted Accounting Principles in Governmental Activities and Business-type Activities as follows: Increase in net assets \$748,100 and \$523,700, respectively. Beginning net assets were restated to \$5,692,960 and \$3,398,312, respectively, from previously reported amounts of \$4,944,860 and \$2,874,612 respectively.

**NOTE 15 - RESIDUAL EQUITY TRANSFER:**

The County reclassified the County Foreclosure fund from a Special Revenue fund to an Enterprise fund. This caused a residual equity transfer of \$263,247.

## **Required Supplemental Information**

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# County of Presque Isle, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,113,847	\$ 3,034,722	\$ 3,125,058	\$ 90,336
Licenses & Permits	5,000	3,448	3,448	-
Federal Sources	37,997	26,854	26,854	-
State Sources	263,807	288,397	321,025	32,628
Local Sources	-	6,913	6,913	-
Charges for Services	376,004	442,940	442,940	-
Interest & Rentals	53,350	61,220	61,220	-
Fines & Forfeitures	6,350	5,369	5,369	-
Other Revenue	93,468	155,334	155,334	-
TOTAL REVENUES	3,949,823	4,025,197	4,148,161	122,964
EXPENDITURES:				
Legislative:				
Board of Commissioners	76,900	73,936	74,410	(474)
Judicial:				
Circuit Court	168,388	198,634	198,896	(262)
Family Court	130,947	100,421	100,421	-
District Court	141,772	139,944	140,156	(212)
Jury Board	5,985	3,577	3,577	-
Probate Court	114,812	111,848	112,373	(525)
Circuit Court Probation	9,000	5,491	5,491	-
Public Guardian	12,600	20,596	20,596	-
Total Judicial	583,504	580,511	581,510	(999)
General Government:				
County Clerk	150,523	176,648	176,649	(1)
Equalization	128,212	131,819	131,835	(16)
Prosecuting Attorney	247,332	236,874	237,175	(301)
County Surveyor	36,062	89,415	122,511	(33,096)
Treasurer	86,842	89,814	89,965	(151)
Cooperative Extension	83,994	75,355	75,355	-
Buildings & Grounds	111,286	128,690	128,690	-
Register of Deeds	87,368	93,043	93,043	-
Plat Board	300	-	-	-
Drain Commissioner	1,145	4,540	4,728	(188)
Total General Government	933,064	1,026,198	1,059,951	(33,753)

# County of Presque Isle, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff/Marine/Snowmobile/Road	536,461	550,026	550,221	(195)
D.A.R.E.	31,197	43,626	43,626	-
Corrections - Jail	294,023	361,020	361,407	(387)
Emergency Services	10,520	10,251	10,251	-
Contagious Disease	500	-	-	-
Animal Control	47,670	48,895	48,895	-
Total Public Safety	920,371	1,013,818	1,014,400	(582)
Health & Welfare:				
Medical Examiner	14,400	14,349	14,399	(50)
State Institutions	9,500	881	881	-
Veterans Services	14,650	11,471	11,471	-
Total Health & Welfare	38,550	26,701	26,751	(50)
Other Expenditures:				
Health Insurance	539,600	514,569	514,569	-
Social Security	154,000	174,844	174,844	-
Retirement Benefits	157,284	176,696	176,696	-
Bonds and Insurance	111,120	126,332	75,860	50,472
Duplicating	13,800	17,611	17,611	-
Contingencies	146,389	-	-	-
Communications	32,500	20,726	21,416	(690)
Appropriations to Other Governmental Units	188,134	196,041	196,041	-
Total Other Expenditures	1,342,827	1,226,819	1,177,037	49,782
TOTAL EXPENDITURES	3,895,216	3,947,983	3,934,059	13,924
EXCESS OF REVENUES OVER EXPENDITURES	54,607	77,214	214,102	136,888
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	268,893	386,893	386,893	-
Operating Transfers Out	(323,500)	(484,000)	(484,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (19,893)	116,995	\$ 136,888
FUND BALANCE, JANUARY 1			1,099,252	
FUND BALANCE, DECEMBER 31			\$ 1,216,247	

# County of Presque Isle, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 268,993	\$ -	\$ 957,951	\$ 957,951
Interest & Rentals	-	15,186	15,186	-
TOTAL REVENUES	268,993	15,186	973,137	957,951
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(268,993)	(268,893)	(268,893)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (253,707)	704,244	\$ 957,951
FUND BALANCE, JANUARY 1			957,451	
FUND BALANCE, DECEMBER 31			\$ 1,661,695	

## **Other Supplemental Information**

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# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
<b>ASSETS:</b>									
Cash & Cash Equivalents	\$ 3,611	\$ 49,004	\$ 2,802	\$ 61,674	\$ 58,840	\$ 4,799	\$ 12,709	\$ 52,352	\$ 2,326
Taxes Receivable	-	-	-	-	-	-	-	-	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	46,057	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,611</u>	<u>\$ 49,004</u>	<u>\$ 2,802</u>	<u>\$ 61,674</u>	<u>\$ 104,897</u>	<u>\$ 4,799</u>	<u>\$ 12,709</u>	<u>\$ 52,352</u>	<u>\$ 2,326</u>
<b>LIABILITIES:</b>									
Accounts Payable	\$ -	\$ -	\$ 219	\$ 331	\$ 7,125	\$ 1,235	\$ -	\$ 551	\$ 159
Accrued Liabilities	-	-	-	3,310	706	-	-	-	1,375
Deferred Revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>219</u>	<u>3,641</u>	<u>7,831</u>	<u>1,235</u>	<u>-</u>	<u>551</u>	<u>1,534</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	3,611	49,004	2,583	58,033	97,066	3,564	12,709	51,801	792
<b>TOTAL FUND BALANCES</b>	<u>3,611</u>	<u>49,004</u>	<u>2,583</u>	<u>58,033</u>	<u>97,066</u>	<u>3,564</u>	<u>12,709</u>	<u>51,801</u>	<u>792</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,611</u>	<u>\$ 49,004</u>	<u>\$ 2,802</u>	<u>\$ 61,674</u>	<u>\$ 104,897</u>	<u>\$ 4,799</u>	<u>\$ 12,709</u>	<u>\$ 52,352</u>	<u>\$ 2,326</u>

# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	S.R.O.- H.U.N.T.	State Grants	Multi-County Grant
<b>ASSETS:</b>									
Cash & Cash Equivalents	\$ 47,190	\$ 43,332	\$ 765	\$ 9,663	\$ 1,110	\$ 20,119	\$ 31,419	\$ 22,171	\$ -
Taxes Receivable	-	-	-	-	-	-	132,917	-	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	625	1,968	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 47,190</u>	<u>\$ 43,332</u>	<u>\$ 765</u>	<u>\$ 9,663</u>	<u>\$ 1,735</u>	<u>\$ 22,087</u>	<u>\$ 164,336</u>	<u>\$ 22,171</u>	<u>\$ -</u>
<b>LIABILITIES:</b>									
Accounts Payable	\$ -	\$ 50	\$ -	\$ 230	\$ 1,514	\$ 21,310	\$ 3,311	\$ 140	\$ -
Accrued Liabilities	-	-	-	-	-	-	1,670	-	-
Deferred Revenue	-	-	-	-	-	-	132,917	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>50</u>	<u>-</u>	<u>230</u>	<u>1,514</u>	<u>21,310</u>	<u>137,898</u>	<u>140</u>	<u>-</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	47,190	43,282	765	9,433	221	777	26,438	22,031	-
<b>TOTAL FUND BALANCES</b>	<u>47,190</u>	<u>43,282</u>	<u>765</u>	<u>9,433</u>	<u>221</u>	<u>777</u>	<u>26,438</u>	<u>22,031</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 47,190</u>	<u>\$ 43,332</u>	<u>\$ 765</u>	<u>\$ 9,663</u>	<u>\$ 1,735</u>	<u>\$ 22,087</u>	<u>\$ 164,336</u>	<u>\$ 22,171</u>	<u>\$ -</u>



# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

Special Revenue Funds									
	Children's Trust	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Senior Citizens	Capital Acquisitions
<b>ASSETS:</b>									
Cash & Cash Equivalents	\$ 53	\$ 107	\$ 10,220	\$ 24,673	\$ 3,853	\$ 731	\$ 8,117	\$ 361	\$ 19,977
Taxes Receivable	-	-	-	-	-	-	-	258,706	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	2,462	-	-	-	-
Due from Governmental Units	-	-	25,329	-	21,698	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 53</u>	<u>\$ 107</u>	<u>\$ 35,549</u>	<u>\$ 24,673</u>	<u>\$ 28,013</u>	<u>\$ 731</u>	<u>\$ 8,117</u>	<u>\$ 259,067</u>	<u>\$ 19,977</u>
<b>LIABILITIES:</b>									
Accounts Payable	\$ -	\$ -	\$ 12,135	\$ 205	\$ 26,922	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	8,666	-	-	-	-	258,706	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>20,801</u>	<u>205</u>	<u>26,922</u>	<u>-</u>	<u>-</u>	<u>258,706</u>	<u>-</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	53	107	14,748	24,468	1,091	731	8,117	361	19,977
<b>TOTAL FUND BALANCES</b>	<u>53</u>	<u>107</u>	<u>14,748</u>	<u>24,468</u>	<u>1,091</u>	<u>731</u>	<u>8,117</u>	<u>361</u>	<u>19,977</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 53</u>	<u>\$ 107</u>	<u>\$ 35,549</u>	<u>\$ 24,673</u>	<u>\$ 28,013</u>	<u>\$ 731</u>	<u>\$ 8,117</u>	<u>\$ 259,067</u>	<u>\$ 19,977</u>

# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		
	Courthouse Preservation	Emergency Services	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
<b>ASSETS:</b>							
Cash & Cash Equivalents	\$ 35,410	\$ 84,887	\$ 4,545	\$ 1,372	\$ 49,750	\$ 311	\$ 668,253
Taxes Receivable	-	-	-	-	-	-	391,623
Loan Receivable	-	104,250	-	-	-	-	104,250
Accounts Receivable	-	-	-	-	-	-	2,462
Due from Governmental Units	-	-	-	-	-	-	95,677
<b>TOTAL ASSETS</b>	<b>\$ 35,410</b>	<b>\$ 189,137</b>	<b>\$ 4,545</b>	<b>\$ 1,372</b>	<b>\$ 49,750</b>	<b>\$ 311</b>	<b>\$ 1,262,265</b>
<b>LIABILITIES:</b>							
Accounts Payable	\$ -	\$ -	\$ 212	\$ -	\$ -	\$ -	\$ 75,649
Accrued Liabilities	-	-	-	-	-	-	7,061
Deferred Revenue	-	104,250	-	-	-	-	504,539
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>104,250</b>	<b>212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>587,249</b>
<b>FUND BALANCES:</b>							
Unreserved:							
Designated	35,410	84,887	4,333	1,372	49,750	311	675,016
<b>TOTAL FUND BALANCES</b>	<b>35,410</b>	<b>84,887</b>	<b>4,333</b>	<b>1,372</b>	<b>49,750</b>	<b>311</b>	<b>675,016</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 35,410</b>	<b>\$ 189,137</b>	<b>\$ 4,545</b>	<b>\$ 1,372</b>	<b>\$ 49,750</b>	<b>\$ 311</b>	<b>\$ 1,262,265</b>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Collections	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	134,786	-	-	-	-
State Sources	-	-	-	72,160	14,296	-	3,259	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	29,208	9,876	-	-	-	70,024
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	-	1,119	147	549	1,864	440	226	295	-
Other Revenue	-	9,789	-	-	1,910	-	-	-	-
TOTAL REVENUES	-	10,908	147	101,917	162,732	440	3,485	295	70,024
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	16,056	-	-	-	-	-	-	103,741
Public Safety	-	-	-	84,452	-	-	-	-	-
Health and Welfare	-	-	-	-	145,632	32,408	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-
Recreational and Cultural	-	-	10,951	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	65,739	-
Capital Outlay	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	16,056	10,951	84,452	145,632	32,408	-	65,739	103,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(5,148)	(10,804)	17,465	17,100	(31,968)	3,485	(65,444)	(33,717)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	5,000	6,500	-	-	35,000	-	125,000	33,000
Operating Transfers Out	-	-	-	-	-	-	-	(30,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(148)	(4,304)	17,465	17,100	3,032	3,485	29,556	(717)
FUND BALANCES, JANUARY 1	3,611	49,152	6,887	40,568	79,966	532	9,224	22,245	1,509
FUND BALANCES, DECEMBER 31	\$ 3,611	\$ 49,004	\$ 2,583	\$ 58,033	\$ 97,066	\$ 3,564	\$ 12,709	\$ 51,801	\$ 792

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	S.R.O.- H.U.N.T.	State Grants	Multi-County Grant
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,464	\$ -	\$ -
Fees and Collections	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	-	150,343	105,871
State Sources	-	-	-	2,697	-	-	-	-	-
Local Sources	41,058	-	-	-	-	35,132	42	-	-
Charges for Services	-	500	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	3,125	-	-	-	-
Interest Income	1,100	1,456	-	190	-	-	1,345	-	-
Other Revenue	-	-	-	121	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>42,158</b>	<b>1,956</b>	<b>-</b>	<b>3,008</b>	<b>3,125</b>	<b>35,132</b>	<b>127,851</b>	<b>150,343</b>	<b>105,871</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	16,985	-	-	-	-
General Government	29,940	-	-	-	-	-	-	-	-
Public Safety	-	-	-	5,278	-	-	116,292	79,604	-
Health and Welfare	-	-	-	-	-	35,133	-	-	-
Community and Economic Development	-	53,582	-	-	-	-	-	-	105,871
Recreational and Cultural	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	2,984	-	-	-	-	-	83,769	-
<b>TOTAL EXPENDITURES</b>	<b>29,940</b>	<b>56,566</b>	<b>-</b>	<b>5,278</b>	<b>16,985</b>	<b>35,133</b>	<b>116,292</b>	<b>163,373</b>	<b>105,871</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>12,218</b>	<b>(54,610)</b>	<b>-</b>	<b>(2,270)</b>	<b>(13,860)</b>	<b>(1)</b>	<b>11,559</b>	<b>(13,030)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	95,000	-	2,000	14,000	-	-	70,000	-
Operating Transfers Out	-	-	-	-	-	-	-	(54,296)	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>12,218</b>	<b>40,390</b>	<b>-</b>	<b>(270)</b>	<b>140</b>	<b>(1)</b>	<b>11,559</b>	<b>2,674</b>	<b>-</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>34,972</b>	<b>2,892</b>	<b>765</b>	<b>9,703</b>	<b>81</b>	<b>778</b>	<b>14,879</b>	<b>19,357</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 47,190</b>	<b>\$ 43,282</b>	<b>\$ 765</b>	<b>\$ 9,433</b>	<b>\$ 221</b>	<b>\$ 777</b>	<b>\$ 26,438</b>	<b>\$ 22,031</b>	<b>\$ -</b>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds								
	Children's Trust	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Senior Citizens	Capital Acquisitions
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,429	\$ -
Fees and Collections	-	-	21,407	-	-	-	-	-	-
Federal Sources	-	-	141,334	-	-	-	-	-	-
State Sources	-	-	-	25	143,270	1,109	-	36,722	-
Local Sources	-	-	44,733	-	-	-	-	-	-
Charges for Services	-	-	-	1,582	19,497	-	6,765	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	605	12	-	71	126	603
Other Revenue	-	-	-	-	8,459	-	-	-	-
TOTAL REVENUES	-	-	207,474	2,212	171,238	1,109	6,836	286,277	603
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	5,457	-	-
Health and Welfare	-	-	-	7,022	320,873	736	-	286,668	-
Community and Economic Development	-	-	215,913	-	-	-	-	-	-
Recreational and Cultural	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	20,575
TOTAL EXPENDITURES	-	-	215,913	7,022	320,873	736	5,457	286,668	20,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(8,439)	(4,810)	(149,635)	373	1,379	(391)	(19,972)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	6,000	150,000	-	-	-	5,000
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	(8,439)	1,190	365	373	1,379	(391)	(14,972)
FUND BALANCES, JANUARY 1	53	107	23,187	23,278	726	358	6,738	752	34,949
FUND BALANCES, DECEMBER 31	\$ 53	\$ 107	\$ 14,748	\$ 24,468	\$ 1,091	\$ 731	\$ 8,117	\$ 361	\$ 19,977

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2005

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		
	Courthouse Preservation	Emergency Services	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
<b>REVENUES:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375,893
Fees and Collections	-	38,500	-	-	-	-	59,907
Federal Sources	15,000	-	-	-	-	-	547,334
State Sources	-	-	-	-	-	-	273,538
Local Sources	-	-	500	-	-	-	121,465
Charges for Services	-	-	-	-	-	-	137,452
Fines and Forfeitures	4,040	-	-	-	-	-	7,165
Interest Income	705	1,465	229	119	1,319	-	13,985
Other Revenue	-	-	7,610	-	-	-	27,889
<b>TOTAL REVENUES</b>	<b>19,745</b>	<b>39,965</b>	<b>8,339</b>	<b>119</b>	<b>1,319</b>	<b>-</b>	<b>1,564,628</b>
<b>EXPENDITURES:</b>							
Judicial	-	-	-	-	-	-	16,985
General Government	-	-	-	37,339	-	-	187,076
Public Safety	-	-	-	-	-	-	291,083
Health and Welfare	-	-	-	-	-	-	828,472
Community and Economic Development	-	-	-	-	-	-	375,366
Recreational and Cultural	-	-	39,342	-	-	-	50,293
Appropriations to Other Governmental Units	-	-	-	-	-	-	65,739
Capital Outlay	17,045	-	-	-	2,369	3,800	130,542
<b>TOTAL EXPENDITURES</b>	<b>17,045</b>	<b>-</b>	<b>39,342</b>	<b>37,339</b>	<b>2,369</b>	<b>3,800</b>	<b>1,945,556</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,700</b>	<b>39,965</b>	<b>(31,003)</b>	<b>(37,220)</b>	<b>(1,050)</b>	<b>(3,800)</b>	<b>(380,928)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	-	-	30,000	30,000	-	-	606,500
Operating Transfers Out	-	-	-	-	-	-	(84,296)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,700</b>	<b>39,965</b>	<b>(1,003)</b>	<b>(7,220)</b>	<b>(1,050)</b>	<b>(3,800)</b>	<b>141,276</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>32,710</b>	<b>44,922</b>	<b>5,336</b>	<b>8,592</b>	<b>50,800</b>	<b>4,111</b>	<b>533,740</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 35,410</b>	<b>\$ 84,887</b>	<b>\$ 4,333</b>	<b>\$ 1,372</b>	<b>\$ 49,750</b>	<b>\$ 311</b>	<b>\$ 675,016</b>

# County of Presque Isle, Michigan

## Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2005

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	2002 Tax Revolving	County Foreclosure	Totals
<b>ASSETS:</b>									
Cash & Equivalents	\$ 2,101	\$ 49,611	\$ 37,214	\$ 1,319	\$ 421,195	\$ 4,825	\$ 132,533	\$ 391,735	\$ 1,040,533
Taxes Receivable	-	103,206	339,227	-	7,940	-	2,426	-	452,799
Due from Other Funds	-	-	-	-	35,000	-	-	-	35,000
Due from Other Governmental Units	-	6,061	14,795	-	418	-	3,085	1,321	25,680
<b>TOTAL ASSETS</b>	<u>\$ 2,101</u>	<u>\$ 158,878</u>	<u>\$ 391,236</u>	<u>\$ 1,319</u>	<u>\$ 464,553</u>	<u>\$ 4,825</u>	<u>\$ 138,044</u>	<u>\$ 393,056</u>	<u>\$ 1,554,012</u>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ 25,238	\$ -	\$ 68,000	\$ -	\$ -	\$ -	\$ 93,238
Due to Other Governmental Units	2,101	2,544	252	1,319	2,792	-	-	-	9,008
Notes Payable	-	-	310,000	-	-	-	-	-	310,000
<b>TOTAL LIABILITIES</b>	<u>2,101</u>	<u>2,544</u>	<u>335,490</u>	<u>1,319</u>	<u>70,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,246</u>
<b>NET ASSETS:</b>									
Unrestricted	-	156,334	55,746	-	393,761	4,825	138,044	393,056	1,141,766
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>156,334</u>	<u>55,746</u>	<u>-</u>	<u>393,761</u>	<u>4,825</u>	<u>138,044</u>	<u>393,056</u>	<u>1,141,766</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,101</u>	<u>\$ 158,878</u>	<u>\$ 391,236</u>	<u>\$ 1,319</u>	<u>\$ 464,553</u>	<u>\$ 4,825</u>	<u>\$ 138,044</u>	<u>\$ 393,056</u>	<u>\$ 1,554,012</u>

**Combining Statement of Revenues, Expenses, and  
Changes in Net Assets - Major Tax Collection Enterprise Fund  
For the Year Ended December 31, 2005**

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	2002 Tax Revolving	County Foreclosure	Totals
<b>OPERATING REVENUES:</b>									
Charges for Services	\$ -	\$ 17,163	\$ 35,410	\$ -	\$ 95	\$ -	\$ 1,783	\$ 201,151	\$ 255,602
Interest & Rentals	-	64,794	36,592	-	870	-	16,695	-	118,951
Other Revenue	-	-	1,557	-	1,562	-	-	-	3,119
<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>81,957</b>	<b>73,559</b>	<b>-</b>	<b>2,527</b>	<b>-</b>	<b>18,478</b>	<b>201,151</b>	<b>377,672</b>
<b>OPERATING EXPENSES:</b>									
General and Administrative	-	-	5,600	-	70,914	6,299	-	78,780	161,593
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>5,600</b>	<b>-</b>	<b>70,914</b>	<b>6,299</b>	<b>-</b>	<b>78,780</b>	<b>161,593</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>81,957</b>	<b>67,959</b>	<b>-</b>	<b>(68,387)</b>	<b>(6,299)</b>	<b>18,478</b>	<b>122,371</b>	<b>216,079</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>									
Interest on Deposits	-	36	1,057	-	9,165	-	11	7,438	17,707
Interest Expense	-	(6,073)	(13,301)	-	-	-	-	-	(19,374)
<b>Total Non-operating Revenues (Expenses)</b>	<b>-</b>	<b>(6,037)</b>	<b>(12,244)</b>	<b>-</b>	<b>9,165</b>	<b>-</b>	<b>11</b>	<b>7,438</b>	<b>(1,667)</b>
<b>Income (loss) before transfers</b>	<b>-</b>	<b>75,920</b>	<b>55,715</b>	<b>-</b>	<b>(59,222)</b>	<b>(6,299)</b>	<b>18,489</b>	<b>129,809</b>	<b>214,412</b>
Operating Transfers In	-	20,000	-	-	54,296	4,112	-	-	78,408
Operating Transfers Out	-	-	-	-	(337,112)	-	-	-	(337,112)
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>95,920</b>	<b>55,715</b>	<b>-</b>	<b>(342,038)</b>	<b>(2,187)</b>	<b>18,489</b>	<b>129,809</b>	<b>(44,292)</b>
<b>NET ASSETS, JANUARY 1</b>	<b>-</b>	<b>60,414</b>	<b>31</b>	<b>-</b>	<b>735,799</b>	<b>7,012</b>	<b>119,555</b>	<b>-</b>	<b>922,811</b>
<b>Residual Equity Transfer</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>263,247</b>	<b>263,247</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 156,334</b>	<b>\$ 55,746</b>	<b>\$ -</b>	<b>\$ 393,761</b>	<b>\$ 4,825</b>	<b>\$ 138,044</b>	<b>\$ 393,056</b>	<b>\$ 1,141,766</b>



# County of Presque Isle, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2005

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	2002 Tax Revolving	County Foreclosure	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>									
Receipts from Customers	\$ 2	\$ 524,211	\$ 702,921	\$ 1,319	\$ 19,173	\$ -	\$ 90,412	\$ 199,830	\$ 1,537,868
Payments to Suppliers	-	(19,932)	(990,699)	-	(74,985)	(6,299)	(4,351)	(78,780)	(1,175,046)
Internal Activity - Payments/Receipts with Other Funds	-	(50,000)	25,238	-	118,000	-	-	-	93,238
Net Cash Provided (Used) by Operating Activities	2	454,279	(262,540)	1,319	62,188	(6,299)	86,061	121,050	456,060
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>									
Residual Equity Transfer	-	-	-	-	-	-	-	263,247	263,247
Operating Transfers In	-	20,000	-	-	54,296	4,112	-	-	78,408
Operating Transfers Out	-	-	-	-	(337,112)	-	-	-	(337,112)
Net Cash Provided (Used) by Noncapital Financing Activities	-	20,000	-	-	(282,816)	4,112	-	263,247	4,543
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>									
Proceeds from Notes	-	-	950,000	-	-	-	-	-	950,000
Interest Paid	-	(6,073)	(13,301)	-	-	-	-	-	(19,374)
Principal Payments	-	(515,000)	(640,000)	-	-	-	-	-	(1,155,000)
Net Cash Provided (Used) by Capital Financing Activities	-	(521,073)	296,699	-	-	-	-	-	(224,374)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>									
Interest Income	-	36	1,057	-	9,165	-	11	7,438	17,707
Net Cash Provided (Used) by Investing Activities	-	36	1,057	-	9,165	-	11	7,438	17,707
Net Increase (Decrease) in Cash and Cash Equivalents	2	(46,758)	35,216	1,319	(211,463)	(2,187)	86,072	391,735	253,936
Balances - Beginning of the Year	2,099	96,369	1,998	-	632,658	7,012	46,461	-	786,597
Balances - End of the Year	\$ 2,101	\$ 49,611	\$ 37,214	\$ 1,319	\$ 421,195	\$ 4,825	\$ 132,533	\$ 391,735	\$ 1,040,533
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>									
Operating Income (Loss)	\$ -	\$ 81,957	\$ 67,959	\$ -	\$ (68,387)	\$ (6,299)	\$ 18,478	\$ 122,371	\$ 216,079
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Change in Assets and Liabilities:									
(Increase)Decrease in Assets:									
Taxes Receivable	-	432,885	(339,227)	-	3,271	-	46,613	-	143,542
Due from Other Funds	-	-	-	-	50,000	-	-	-	50,000
Due from Other Governmental Units	-	9,369	(14,795)	1,319	13,375	-	25,321	(1,321)	33,268
Increase(Decrease) in Liabilities:									
Due to Other Governmental Units	2	(19,932)	(1,715)	-	(4,071)	-	(4,351)	-	(30,067)
Due to Other Funds	-	(50,000)	25,238	-	68,000	-	-	-	43,238
Net Cash Provided by Operating Activities	\$ 2	\$ 454,279	\$ (262,540)	\$ 1,319	\$ 62,188	\$ (6,299)	\$ 86,061	\$ 121,050	\$ 456,060

# County of Presque Isle, Michigan

## Statement of Net Assets Internal Service Fund December 31, 2005

	Data Processing
<b>ASSETS:</b>	
Cash & Equivalents - Unrestricted	\$ 28,118
Computer Equipment	63,706
Accumulated Depreciation	<u>(33,840)</u>
 TOTAL ASSETS	 <u>\$ 57,984</u>
 <b>LIABILITIES:</b>	
Accounts Payable	<u>\$ 143</u>
 <b>NET ASSETS:</b>	
Unrestricted	<u>\$ 57,841</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 57,984</u>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund For the Year Ended December 31, 2005

	Data Processing
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 28,106
<b>TOTAL OPERATING REVENUES</b>	<b>28,106</b>
<b>OPERATING EXPENSES:</b>	
General and Administrative	29,174
Professional and Contractual Services	4,109
Depreciation	13,137
<b>Total Operating Expenses</b>	<b>46,420</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(18,314)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest Income	793
<b>Total Non-operating Revenues (Expenses)</b>	<b>793</b>
Income (loss) before transfers	(17,521)
Operating Transfer In	15,000
<b>CHANGE IN NET ASSETS</b>	<b>(2,521)</b>
<b>NET ASSETS, JANUARY 1</b>	<b>60,362</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 57,841</b>

## **Federal Financial Assistance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of  
The Board of Commissioners  
Presque Isle County  
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the basic financial statements of the Presque Isle County Road Commission which represents 99% and 99% of the assets and revenues, respectively, of the discretely presented component units. The Road Commission statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the County of Presque Isle, is based solely on the report of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Presque Isle's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Presque Isle, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Presque Isle, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and questioned costs as item 05-1 and in the accompanying summary schedule of prior year findings and questioned costs as item 04-1. We also noted immaterial instances of noncompliance that we reported to management of the County of Presque Isle, Michigan dated April 3, 2006.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 3, 2006



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Honorable Chairman and Members of  
The Board of Commissioners  
Presque Isle County  
Rogers City, Michigan

Compliance

We have audited the compliance of the County of Presque Isle, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Presque Isle County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 3, 2006



# County of Presque Isle, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
<i>Pass-through from the Michigan State Housing Development Authority:</i>			
CDBG Housing Program	14.228	MSC-03-731-HOA	141,334
Subtotal - MSHDA			141,334
<i>Pass-through from the Michigan Economic Development Corporation:</i>			
CDBG - High Wire Corridor Project	14.228	MSC-200068-EDIG	105,871
Total U.S. Department of Housing and Urban Development			247,205
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Byrne Grant - Live Scan	16.579	-	15,000
Local Law Enforcement Block Grant	16.592	-	9,660
Subtotal - MDCH			24,660
Total U.S. Department of Justice			24,660
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-through from the State of Michigan Department of State Policy, Emergency Management Division:</i>			
Hazard Mitigation Grant	97.039	-	45,809
Emergency Management - 10-1-04 to 9-30-05	97.067	-	2,371
Emergency Management - 10-1-05 to 9-30-06	97.067	-	764
2003 State Homeland Security Grant Part II Solution Area Planner	97.004	-	8,320
2003 State Homeland Security Grant Exercise Grant	97.004	-	6,424
2003 State Homeland Security Grant Part II Training Grant	97.004	-	10,207
2004 Homeland Security Grant Program	97.004	-	73,034
Total U.S. Department of Homeland Security			146,929
<b>U. S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
<i>Pass-through from the State of Michigan Department of Human Services (DHS):</i>			
Friend of the Court - Incentive	93.560	-	29,333
Friend of the Court - Medical	93.563	CSMED-05-71001	3,147
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-05-71001	72,783
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-06-71001	28,011
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-05-71002	16,830
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-06-71002	3,669
Total U.S. Department of Health & Human Services			153,773
<b>U.S. DEPARTMENT OF INTERIOR:</b>			
<i>Passed-through from U.S. Fish and Wildlife Services</i>			
Silver Creek Road	15.608	3081-5-J-204	18,200
Total U.S. Department of Interior			18,200

# County of Presque Isle, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Passed-through from the Michigan Department of Transportation (MDOT):</i>			
North Allis Highway	20.205	STP-05-71(308)	517,197
Subtotal MDOT Administered			517,197
<i>Pass-through from Michigan Department of Transportation:</i>			
<i>Airport Improvement Program:</i>			
Design of a partial parallel taxiway and a hangar access drive	20.106	B-26-0135-0605	18,468
Construct runway extension, taxiway rehabilitation, apron construction and master plan	20.106	B-26-0135-0303	1,800
Subtotal MDOT Administered - Airport Improvement Program			20,268
Total U.S. Department of Transportation			537,465
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,128,232</b>

# County of Presque Isle, Michigan

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

### NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Presque Isle, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

### NOTE B - OVERSIGHT AGENCY:

The County has not been assigned a cognizant agency.

### NOTE C - FEDERAL GRANTS – ROAD COMMISSION:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2005, the Federal grants received and expended by the Road Commission was \$517,197 for contracted projects and \$18,200 for local force account projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. Local force account projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for local force account projects. The Airport Improvement Grants are administered by MDOT, which monitors the applicable compliance requirements of those projects.

### NOTE D - RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Revenue from federal sources – As reported on financial statements (includes all funds)	\$ 574,188
State, local and other revenue classified as federal	(1,621)
Federal Grants of Airport Improvement Grants	20,268
Component Units revenue from federal sources included in the statement of activities in the basic financial statements	<u>535,397</u>
Federal expenditures per the schedule of expenditures of federal awards.	<u>\$ 1,128,232</u>

Section A - Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

**Identification of Major Programs****CFDA NUMBERS****Name of Federal Program or Cluster**

14.228 97.004 and 97.067	Community Development Block Grants State Homeland Security Grant Program
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT***Noncompliance with State Statutes*

## 05-1 Expenditures in Excess of Appropriations

*Statement of Condition/Criteria:* Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2005, the County incurred expenditures in excess of amounts appropriated as follows.

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government	\$ 1,026,198	\$ 1,059,951	\$ (33,753)
Special Revenue Funds:			
MSU Extension Grant Fund	13,823	35,133	(21,310)

*Effect:* The County has not complied with various State Statutes.

*Cause of Condition:* Unknown

*Recommendation:* The Board should monitor and amend the budget as deemed necessary.

*Management's Response – Corrective Action Plan:* the budget will be more closely monitored and budget amendments will be made accordingly.

**C. FINDINGS - AUDITS OF FEDERAL AWARD PROGRAMS**

**None.**

**D. FINDINGS – FINANCIAL STATEMENTS AUDIT*****Noncompliance with State Statutes*****04-1 Expenditures in Excess of Appropriations**

*Statement of Condition/Criteria:* Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2005, the County incurred expenditures in excess of amounts appropriated as follows.

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds:			
Multi-County Grant	\$ 462,075	\$ 474,129	(12,054)
Housing Commission "F" – State	234,888	297,333	(62,445)
County Foreclosure	-	109,541	(19,541)

*Effect:* The County has not complied with various State Statutes.

*Cause of Condition:* Unknown

*Recommendation:* The Board should monitor and amend the budget as deemed necessary.

*Status:* See Finding 05-1.

**E. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS*****Reportable Conditions – Noncompliance with Federal Regulations*****DEPARTMENT OF HOUSING AND URBAN DEPARTMENT****04-2. *Program(s):* CFDA Number 14.228, Michigan State Housing Department Authority Pass-through Award.**

*Criteria:* Subpart D (400) (d) (3) of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* states that a pass-through entity shall "monitor the activities of the subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

*Condition:* Subrecipient monitoring policies have not been implemented for the federal program.

*Effect:* Without adequate review of subrecipient audit reports, single audit compliance reports and other monitoring procedures, the requirements of OMB Circular A-133 cannot be documented.

### E. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS (Continued)

*Cause:* Audit reports of the subrecipient were not requested by the organization.

*Recommendation:* The County should adopt a subrecipient monitoring policy and implement the appropriate review procedures to assure compliance with federal regulations.

*Management's Response – Corrective Action Plan:* The County has reviewed the appropriate compliance reports or has requested recent audit reports of subrecipients. Additionally, management is developing a comprehensive monitoring policy. The 2004 audit of the third party administrator was not complete at the time of the County 2004 audit.

*Status:* Corrected.

04-3. *Program(s):* CFDA Number 14.228, Michigan State Housing Department Authority Pass-through Award.

*Criteria:* OMB Circular A-133 requires that “when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.”

*Condition:* Requests for reimbursements reports were submitted to the Michigan State Housing Development Authority before the funds were spent, sometimes several months before the expenditures were billed. The advance line and cash on hand lines on the reports to MSHDA were stated at \$0.00.

*Effect:* The Reporting and Cash Management compliance requirements for OMB Circular A-133 were violated.

*Cause:* The 2004 third party administrator requested funds before expenditures were billed.

*Recommendation:* The County should monitor the reporting process of any third party administrator to verify they are requesting reimbursement of funds for expenditures already spent and if there is an advance, that they minimize the time lapse between reimbursement and payment.

*Management's Response – Corrective Action Plan:* The County has contracted with a different organization on January 1, 2005 for the administration of the CDBG program.

*Status:* Corrected.



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**MEMBER AICPA**  
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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Honorable Chairman and Members  
of the Board of Commissioners  
County of Presque Isle, Michigan  
Rogers City, MI

We have audited the financial statements of the County of Presque Isle for the year ended December 31, 2005, and have issued our report thereon dated April 3, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with the U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Presque Isle's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



As part of obtaining reasonable assurance about whether County of Presque Isle's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Presque Isle's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Presque Isle's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Presque Isle's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Presque Isle are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Presque Isle during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Presque Isle, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County of Presque Isle’s basic financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Presque Isle County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

#### **Outstanding Court Bonds – Agency Fund (prior comment)**

The Bonds Payable account could not be reconciled to subsidiary records as of December 31, 2002, 2003, and 2004. An immaterial variance existed as of the year-ends between the Agency Fund account in the general ledger and the subsidiary records. The County should first reconcile the variance and then continue to reconcile the balance at least quarterly. This procedure should help ensure that all court bonds are properly accounted for. The Clerk’s office has begun the reconciling process, but it has not been completed as of the completion of fieldwork.

Status: Corrected.

#### **Child Care Fund (prior comment)**

The County’s shared child care fund contains numerous expenditure account numbers to track various kinds of salaries/wages and care. Although the accounts appear to be sufficient, the coding of the expenditures to the accounts at the voucher level is very inconsistent. As a result, one cannot reasonably compare expenditure totals in each account from one year to another.

The County remains responsible to ensure that the Child Care Fund is fairly and accurately stated. To ensure a consistent accounting treatment of Child Care Fund expenditures, the County should use a uniform chart of accounts and uniform coding procedures for the Fund.

Status: The Clerk is currently working on this.

**DARE Fund (Prior Comment)**

The DARE fund bank account is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account.

Status: No change.

**Flex One Account (Prior Comment)**

The Flex One Plan bank account is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account. The assets of the account are considered County funds and therefore required to be recorded.

Status: No change.

**Payroll (Prior Comment)**

It was noted while testing payroll that the County does not have a detailed listing of what individual and what account number each one's payroll expenditures are recorded in. It is recommended the County detail out what account number each W-2 paid employee's payroll expenditure is recorded in.

Status: Corrected.

**County Development Commission (Prior Comment)**

The County Development Commission revolving loan fund is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger to provide proper financial reporting.

Status: No change.

**Cash Balances (Prior Comment)**

At year end, the common checking accounts and trust and agency were out of balance. We recommend the County reconcile all accounts each month before proceeding to the next month.

Status: This has been corrected subsequent to year end.

### **Housing Grant Fund (Prior Comment)**

It was noted during a review of the financial status reports for the Community Development Block Grant that proper cut off is not used. The report included expenditures that were not yet incurred at the time of the report. It is recommended when completing the form that the request for advance line be used for future expenditures.

It was also noted that the proper supporting documentation was not always received prior to disbursement. It is recommended that checks do not be written unless there is an invoice or other supporting documentation.

Status: Corrected.

### **Fixed Assets (Prior Comment)**

During a review of the fixed assets of the data processing fund, it was noted several departments could not identify their fixed assets. It is recommended that each department maintain a detail listing of all equipment purchased and disposed.

Status: No change.

Land has not been included in the County's capital assets. It is recommended the County identify and value all land in the name of the County.

Status: Corrected.

### **Policies (Prior Comment)**

The County does not currently have a written policy outlining the procedures for the accrual of sick time payout upon termination or retirement. It is recommended the County adopt a policy.

Status: Corrected.

The County does not currently have a capitalization policy. It is recommended the County adopt a policy stating what assets are to be capitalized including the procedure for depreciating those assets.

Status: Unchanged.

### **Payroll and Wage Reconciliation (Prior Comment)**

Salaries and wages as reported in the general ledger did not reconcile to the Forms 941 Quarterly Wage Reports. A procedure should be implemented to agree amounts reported as wages in the general ledger to Quarterly Wage Reports according to IRS guidelines.

Status: Corrected.

### **Economic Development Corporation (Prior Comment)**

As of the end of the year, the Economic Development Corporation does not have prenumbered receipts. We recommend a prenumbered receipt book be purchased and used for all receipts of the Corporation. This will not only improve internal controls, but will provide a continuous receipt record reference.

Status: Unchanged.

The Corporation received a private donation for loans in 2003. The Loan Application Standards state that no single loan shall exceed \$20,000. During 2004, two loans were disbursed and both were over the \$20,000 maximum. We recommend the Loan Committee review the standards and adhere to the limits or amend the standards. We also recommend the donor be notified and request a waiver for the two loans disbursed in 2004 to comply with the donor's provisions.

Status: There were two new loans during 2005 that were in compliance with the Loan Application Standards.

### **County Appropriations**

During a review of County Appropriations, it was noted the County appropriated monies to a non-profit organization without a written contract outlining the uses of the monies. It is recommended the County have a written contract with all non-profit organizations prior to disbursing County Appropriations, or that the County defines the governmental purpose of the appropriations. Also, an audited or reviewed financial statement should be obtained to assure funds are spent accordingly. Contributions to nonprofit agency can be a violation of state law if they do not provide allowed services.

### **Accruals**

The County did not post all accounts payable accruals in accordance with generally accepted accounting principles. The County did, however, have a detailed listing of the 2005 accruals. It is recommended the County post all accruals needed to comply with generally accepted accounting principles.

### **Summer Tax Levy**

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to fund Revenue Sharing and receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage, which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not completely collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties whole, we recommend that tax revenue be recorded in the General Fund to account for the uncollected portion of the summer levy at year end.

Status: This was recorded as revenue in the General Fund as an audit adjustment per the client's request.

**Conclusion**

This information is intended solely for the use of the Finance Committee, Board of Commissioners and management of the County of Presque Isle and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 3, 2006